

This letter concerns the taxability of reimbursement payments for travel expenses. See 86 Ill. Adm. 130.410. (This is a GIL.)

July 19, 2005

Dear Xxxxx:

This letter is in response to your letter dated June 14, 2004, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

"Is this taxable? When we bill a customer for direct reimbursement of our out of pocket expenses such as meals, lodging, and airfare. This is a dollar for dollar reimbursement."

"Is this taxable? We bill a customer a per mile charge for mileage."

DEPARTMENT'S RESPONSE:

We apologize for the delay in responding to your inquiry. Retailers' Occupation Tax liability is measured by the seller's gross receipts from the sale of tangible personal property. In computing Retailers' Occupation Tax liability, no deduction is allowed for a retailer's costs of doing business, such as acquisition, handling, marketing, advertising, or other expenses. See 86 Ill. Adm. Code 130.410. All of these costs are part of the component price of the product and are subject to tax, whether they are separately stated on the bill or not.

We cannot tell from the very limited amount of information provided in your letter whether the travel expenses referenced in your letter would be considered part of the gross receipts from the sale of any product (tangible personal property) sold by your company. To the extent that the bill only contains charges for reimbursement of travel-related expenses such as meals, lodging, and airfare, and does not include any charges for tangible personal property transferred to the customer, these

charges are generally not subject to sales or use tax. With respect to a per mile charge for mileage, the same analysis applies.

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110(b).

Sincerely,

Samuel J. Moore
Associate Counsel

SJM:msk